

## Message Text

PAGE 01 STATE 126581

73

ORIGIN OES-04

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-10 IO-10 ISO-00

FEA-01 ACDA-05 CIAE-00 INR-07 L-03 NSAE-00 NSC-05

EB-07 NRC-05 ERDA-05 PM-03 SP-02 SS-15 DODE-00 /113 R

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EUR/RPE: D.LAMB

----- 129560

P 302235Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES PRIORITY

AMEMBASSY CANBERRA PRIORITY

AMEMBASSY VIENNA PRIORITY

AMEMBASSY BRASILIA PRIORITY

AMEMBASSY OTTAWA PRIORITY

AMEMBASSY TAIPEI PRIORITY

AMEMBASSY ATHENS PRIORITY

AMEMBASSY NEW DELHI PRIORITY

AMEMBASSY TEHRAN PRIORITY

AMEMBASSY DUBLIN PRIORITY

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AMEMBASSY MADRID PRIORITY

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PAGE 02 STATE 126581

AMEMBASSY CAIRO PRIORITY

USMISSION IAEA VIENNA PRIORITY

USMISSION EC BRUSSELS PRIORITY

AMEMBASSY BONN PRIORITY  
AMEMBASSY COPENHAGEN PRIORITY  
AMEMBASSY LUXEMBOURG PRIORITY  
AMEMBASSY PARIS PRIORITY  
AMEMBASSY BRUSSELS PRIORITY  
INFO AMCONSUL RIO DE JANEIRO PRIORITY

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E.O. 11652: N/A

TAGS: TECH, AR

SUBJECT: U.S. URANIUM ENRICHMENT SUPPLY POSITION  
REFS: (A) STATE 108701; (B) STATE 109094; (C) BRASILIA  
3861-NOTAL; (D) BRASILIA 4115-NOTAL

1. AS POSTS ARE AWARE, A NUMBER OF US ENRICHMENT SUPPLY CONTRACTS WHICH WERE CONCLUDED FOLLOWING THE TEMPORARY MORATORIUM ON CONTRACTING PUT INTO EFFECT BY THE AEC ON JUNE 30, 1974 WHEN CAPACITY OF PRESENT PLANTS BECAME COMMITTED, WERE CONDITIONAL CONTRACTS. THESE CONTRACTS COULD BE CONVERTED TO FIRM CONTRACTS BY THE CUSTOMER UPON GENERIC APPROVAL OF PLUTONIUM RECYCLE BEFORE JUNE 30, 1975. (WHEN IT LATER BECAME CLEAR THAT THIS APPROVAL WOULD NOT BE FORTHCOMING ON THAT TIME SCALE, THESE CONDITIONAL CONTRACTS WERE EXTENDED UNTIL JUNE 30, 1976.) HOLDERS OF CONDITIONAL CONTRACTS WERE, OF COURSE, INFORMED THAT FIRM CONTRACTS COULD BE OBTAINED FROM ADDITIONAL NEW US ENRICHMENT CAPACITY, ONCE A COMMITMENT WAS MADE TO PERMIT ORDERS TO BE TAKEN. IT WAS UNDERSTOOD THAT OUR INTENTION WAS TO HAVE ADDITIONAL CAPACITY COMMITTED UNTIL WELL BEFORE THE DATES FOR PLUTONIUM RECYCLE.

2. IN VIEW OF NRC'S PROVISIONAL DECISION THAT PLUTONIUM RECYCLE FUELING FOR LIGHT WATER REACTORS SHOULD BE LIMITED OFFICIAL USE  
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PAGE 03 STATE 126581

DEFERRED UNTIL SOME TIME AROUND MID-1978 (REF (A)), WHICH WE DO NOT EXPECT TO BE MODIFIED ON THE BASIS OF PUBLIC COMMENT, IT IS IMPROBABLE THAT APPROVAL OF PLUTONIUM RECYCLE WILL TAKE PLACE BEFORE THE PRESENT EXPIRATION DATE OF CONDITIONAL CONTRACTS. THIS UNDERLIES THE PRESENT PROBLEM OF MAINTAINING US CREDIBILITY AS A RELIABLE SUPPLIER OF ENRICHED URANIUM FUEL, PARTICULARLY GIVEN THE DELAYS WE HAVE BEEN EXPERIENCING IN MAKING A COMMITMENT TO BUILD NEW ENRICHMENT CAPACITY. THE PURPOSE OF THIS MESSAGE IS TO INFORM ADDRESSEE POSTS OF THE CURRENT STATUS OF THE US ENRICHMENT SUPPLY SITUATION IN THE US AS IT AFFECTS BOTH THE STATUS OF THESE

CONDITIONAL CONTRACTS AND THE US ABILITY TO ENTER INTO NEW COMMITMENTS FOR URANIUM ENRICHMENT SERVICES.

3. AS BACKGROUND, THE ANNOUNCEMENT OF THE POLICY OF ENTERING INTO CONDITIONAL CONTRACTS WAS ACCOMPANIED BY A PRESIDENTIAL STATEMENT ISSUED ON AUGUST 6, 1974 WHICH STATED, IN PART: "THE PRESIDENT ASSURES HOLDERS OF CONDITIONAL CONTRACTS THAT THE US WILL, IN ANY EVENT, FULFILL THE FUEL REQUIREMENTS IN THOSE CONTRACTS FROM US SUPPLY SOURCES." IN THE SAME ANNOUNCEMENT, THE PRESIDENT STATED THAT, "AS A MATTER OF US POLICY, THE PRESIDENT STRESSES HIS INTENTION THAT SUCH NEW CAPABILITY WILL BE AVAILABLE TO MEET THE CONTRACTUAL NEEDS OF FUTURE DOMESTIC AND FOREIGN CUSTOMERS." THE FULL TEXT OF THE PRESIDENTIAL STATEMENT OF AUG. 6, 1974 WAS TRANSMITTED TO ADDRESSEE POSTS BY REF (B). THIS STATEMENT STILL REPRESENTS US URANIUM ENRICHMENT POLICY AND ITS ASSURANCES THAT CONDITIONAL CONTRACTS WILL, IN ANY EVENT, BE FULFILLED, INDEPENDENT OF A PLUTONIUM RE-CYCLE DECISION, STILL STANDS.

4. ACTION ADDRESSEE POSTS ARE ALSO AWARE THE USG HAS HAD UNDER CONSIDERATION A PROPOSAL FROM A PRIVATE FIRM (URANIUM ENRICHMENT ASSOCIATES) TO CONSTRUCT A 9000 METRIC TON SWU PER YEAR URANIUM ENRICHMENT PLANT IN THE US FOR OPERATION IN THE EARLY 1980'S. A FIRM DECISION ON THE CONSTRUCTION OF THIS PLANT WOULD, OF COURSE, ENABLE THE RESUMPTION OF URANIUM ENRICHMENT CONTRACTS AND WOULD ENSURE THAT CAPACITY WOULD BE IN PLACE TO LIMITED OFFICIAL USE  
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PAGE 04 STATE 126581

MEET THE ADDITIONAL NEEDS THAT WILL ARISE WHEN THE CAPACITY OF EXISTING FACILITIES IS EXCEEDED IN THE EARLY 1980'S.

5. ON MAY 27, SECRETARY KISSINGER MADE AN IMPORTANT STATEMENT THAT CONFIRMS IN CONCRETE TERMS US RESOLVE TO MEET NEEDS OF URANIUM ENRICHMENT ABROAD AT AN EARLY STAGE AND PROVIDES A PRECISE TIMETABLE ON WHICH THE NECESSARY DECISIONS WILL BE TAKEN. THE SECRETARY ANNOUNCED IN HIS ADDRESS BEFORE THE INTERNATIONAL ENERGY AGENCY (IEA) IN PARIS: "WE MUST INSURE THAT NEEDED URANIUM ENRICHMENT FACILITIES ARE CONSTRUCTED ON SCHEDULE. IN THIS REGARD, THE US RECOGNIZES ITS RESPONSIBILITY TO CONTINUE PROVIDING NUCLEAR FUEL UNDER LONG-TERM CONTRACT. OUR POLICY IS TO BRING INTO BEING--PREFERABLY BY PRIVATE INDUSTRY BUT BY THE FEDERAL GOVERNMENT IF NECESSARY--ADDITIONAL ENRICHMENT CAPACITY WHICH WILL ENSURE ADEQUATE FUTURE SUPPLY. NEGOTIATIONS ARE NOW UNDERWAY WITH A POTENTIAL PRIVATE SOURCE. THESE DISCUSSIONS WILL PROCEED QUICKLY, AND BY JUNE 30 THE

PRESIDENT WILL DECIDE WHICH COURSE OF ACTION, PRIVATE OR PUBLIC, IS IN THE BEST INTERESTS OF OUR COUNTRY AND THOSE ABROAD WHO RELY ON US. WE WILL THEN BE IN A POSITION TO ACCEPT LONG-TERM ORDERS." AS WILL BE SEEN FROM FACT THAT PRESIDENTIAL DECISION WILL BE MADE BY JUNE 30 OF THIS YEAR, THERE IS NO NEED ARISING FROM NRC DEFERRAL OF PU RECYCLE DECISION TO TAKE ANY FURTHER ACTION AT THIS TIME TO EXTEND CONDITIONAL CONTRACTS WHICH REMAIN VALID UNTIL JUNE 30, 1976.

6. MOREOVER, ONE ALTERNATIVE MEANS BY WHICH HOLDERS OF CONDITIONAL CONTRACTS CAN CONVERT THESE INTO FIRM CONTRACTS MEETING THEIR REQUIREMENTS EVEN BEFORE RESUMPTION OF CONTRACTING BASED ON NEWLY COMMITTED CAPACITY, IS BY ARRANGING TO TAKE OVER THE COMMITMENTS HELD BY US UTILITY COMPANIES WHOSE REACTOR PROJECTS HAVE BEEN DEFERRED OR CANCELLED. THE US ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION (ERDA) IS PREPARED TO CONSIDER THE CONVERSION OF SUCH FIRM CONTRACTS ON A CASE-BY-CASE BASIS AND WILL PROVIDE ON REQUEST TO INTERESTED FOREIGN CUSTOMERS HOLDING CONDITIONAL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 05 STATE 126581

CONTRACTS THE NAMES OF US UTILITY FIRMS WHOSE PROJECTS HAVE BEEN DEFERRED OR CANCELLED.

7. ACTION POSTS ARE REQUESTED TO BRING THIS INFO PROMPTLY TO THE ATTENTION OF SENIOR OFFICIALS, INCLUDING NUCLEAR POWER AUTHORITIES, AND INTERESTED NUCLEAR UTILITY OFFICIALS IN THEIR RESPECTIVE POSTS. SPECIFIC REACTIONS AND ANY QUESTIONS CONCERNING THE STATUS OF SPECIFIC URANIUM CONTRACTS, AS WELL AS ANY REQUESTS FOR THE NAMES OF US UTILITIES HOLDING

CONTRACTS SHOULD BE REPORTED TO THE DEPARTMENT AS SOON AS POSSIBLE.

8. FOR BRASILIA: WE BELIEVE INFORMATION IN THIS MESSAGE IS RESPONSIVE TO CONCERNS EXPRESSED IN REF (B) AS TO STATUS OF CONDITIONAL CONTRACTS FOR DEFERRED OR CANCELLED PROJECTS. DRAFT US-BRAZILIAN AGREEMENT IS IN PREPARATION AND WILL BE FORWARDED WITHIN NEXT FEW WEEKS. INGERSOLL

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## Message Attributes

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**Copy:** SINGLE  
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CANBERRA  
VIENNA  
BRASILIA  
OTTAWA  
TAIPEI

ATHENS  
NEW DELHI  
TEHRAN  
DUBLIN  
TEL AVIV  
ROME  
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